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Contents

UN-Cyprus: Bleak Outlook for Talks	2
Iraq: Seeking Financial Assistance	3
China-USSR: Beijing's Demands on SS-20 Issue	4
USSR-Middle East: Soviet Criticism of Israel	4
Egypt-East Asia: Mubarak's Tour	5

UK-OPEC: Oil Price Developments	6
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North Korea-South Korea: The IPU Issue	7
Zambia: Possible Labor Unrest	7

Special Analyses

Western Europe: Peace Movement Activities	9
Ecuador-US: President Hurtado's Visit	12

Top Secret

31 March 1983

25X1

Page Denied

Next 1 Page(s) In Document Denied

Top Secret

25X1

UN-CYPRUS: Bleak Outlook for Talks

UN Secretary General Perez de Cuellar's waning support for Hugo Gobbi, his Cyprus negotiator, probably rules out early progress in talks between the Greek and Turkish Cypriot communities. []

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Since November 1981, Gobbi has been using a negotiating plan developed under former Secretary General Waldheim. The talks stalled, however, before the Cypriot presidential elections in February. []

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More recently, Gobbi has been looking into a possible phased settlement involving some initial concessions by both sides as part of a longer term solution. Major disputes continue to center on allocation of territory, the power to be given each community in a federal administration, and the withdrawal of mainland Turkish troops. []

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Comment: Gobbi had hoped to get the talks moving again early this summer. Chances for progress are likely to be greatest at that time—after a Greek Cypriot-sponsored debate in the UN General Assembly expected in May and before the resumption of parliamentary politicking in Turkey this fall. []

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The Secretary General's declining support for Gobbi, however, almost certainly will undermine the negotiator's effectiveness. It probably also will preclude any meaningful talks for the foreseeable future—particularly in the absence of an alternative proposal. []

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IRAQ: Seeking Financial Assistance

Iraq is negotiating new financial arrangements with France, West Germany, and Japan to help cover payments for arms purchases and civilian projects.

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West German companies have offered to defer for two years payments due in 1983 on an estimated \$1.2 billion that Iraq will owe for work on industrial projects, according to the US Interests Section in Baghdad. Last week the West German agency that insures export credits agreed to guarantee these payments.

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The Iraqis, however, have turned down a Japanese proposal that would enable them to defer only until 1984 payments due Japan. Baghdad told Japanese officials that they would have to offer better terms.

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Meanwhile, Iraq finally has received a \$500 million commercial loan syndicated primarily by Arab banks. This syndication is in addition to the \$800 million in concessionary loans that Iraq has received thus far from the other Arab states of the Persian Gulf. Last year Baghdad received about \$5.5 billion from those states.

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Comment: Western governments and companies probably will continue to be at least partly responsive to Iraqi requests for concessions in hopes of salvaging their already heavy financial commitments and of gaining lucrative contracts in Iraq when the war ends. At the same time, the limited Western participation in the commercial loan does not augur well for new bank credits. Iraq is likely to count on the Persian Gulf states to provide additional financial aid.

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CHINA-USSR: Beijing's Demands on SS-20 Issue

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[redacted]

[redacted] the US Embassy in Beijing reports that a senior Chinese Foreign Ministry official has told the Japanese that, during the recently concluded round of Sino-Soviet talks, China insisted that Moscow reduce the number of SS-20s in the Far East. The official emphasized that Beijing and Tokyo have identical positions on the SS-20 issue. [redacted]

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Comment: The Chinese want to portray themselves to the US and to West European countries as leaders of the opposition in East Asia to any INF agreement that would permit more SS-20s in the Soviet Far East. [redacted]

[redacted]

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USSR-MIDDLE EAST: Soviet Criticism of Israel

TASS yesterday carried a government statement criticizing Israel's alleged military preparations to attack Syria. It said that the US is abetting Israeli aggression and warned Arabs against collaborating with US-Israeli plans to dominate the Middle East. The Soviets made no explicit pledge to back Syria, saying only that it enjoys the support of the "Socialist countries." The statement, Moscow's first on the Middle East since its denunciation last June of the invasion of Lebanon, follows meetings between the head of the Foreign Ministry's Near East Department and both PLO chief Arafat and Jordan's King Hussein. [redacted]

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Comment: There have been no indications of Israeli military preparations against Syria that would prompt the statement. Although the Soviet media have been claiming for the past 10 weeks that Israel plans to attack Syria, Moscow has not undertaken major military or diplomatic actions that would suggest genuine concern about such a move. The Soviets may be trying to arouse public Palestinian and Jordanian opposition to the US peace initiative on the eve of Hussein's expected meeting with Arafat. [redacted]

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EGYPT-EAST ASIA: Mubarak's Tour

President Mubarak today begins an 11-day tour of China, North Korea, Japan, and Indonesia that is intended to increase his international prestige and to broaden Egypt's political and economic ties. Foreign Minister Ali has emphasized that the itinerary demonstrates the flexibility and scope of Egypt's foreign policy. Mubarak's first stop is Beijing, where he plans to discuss more purchases of Chinese military equipment.

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Comment: Mubarak probably hopes that this trip, like his earlier foreign travels, will help improve his domestic standing. The other main items on his agenda will be economic aid from Japan—Egypt's second-largest source of development assistance—and the continued supply of military spare parts from North Korea.

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UK-OPEC: Oil Price Developments

Cuts in British oil prices proposed yesterday are unlikely to lead to an immediate retaliatory move by Nigeria or other OPEC members. The British National Oil Corporation proposed reducing the price of Brent crude by 50 cents per barrel and all other North Sea crudes by 75 cents per barrel. [redacted]

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[redacted] The proposal would put the average British price at about \$29.85, below the current Nigerian price of \$30. Following the last OPEC meeting, Nigeria warned that it would match any British price cut of more than 50 cents per barrel, but only after consultation with other OPEC members. [redacted]

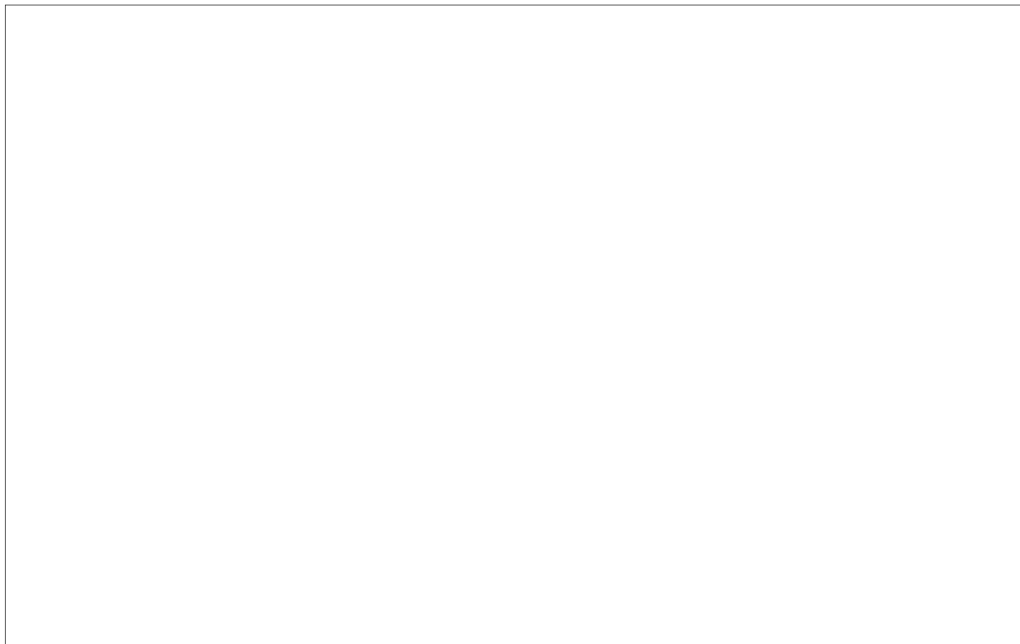
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Comment: The proposed prices are in line with current market differentials for British and Nigerian crudes and probably reflect London's attempts to avoid starting a price war. Lagos is still having difficulty marketing its oil at current prices, however, and could reduce prices if its exports remain depressed in the coming weeks. [redacted]

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NORTH KOREA-SOUTH KOREA: The IPU Issue

North Korea is mounting a lobbying effort to prevent the Interparliamentary Union general conference from being held in Seoul this fall. P'yongyang is urging its allies in Africa and elsewhere in the Third World to move the site. Last week, however, the African Parliamentary Union rejected a proposal to reconsider the location. A showdown on the issue is expected at an IPU council meeting scheduled for 24-29 April in Helsinki. []

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Comment: Arrangements for the conference are well along, and major changes would be difficult to make. South Korean officials nonetheless are concerned that P'yongyang is embarked on a long-term campaign to depict Seoul as an unsuitable site for international events. They fear that such a campaign could have an adverse effect on South Korea's plans to host the Asian Games in 1986 and the Olympics in 1988. []

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ZAMBIA: Possible Labor Unrest

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[] Government officials have been unwilling to meet with labor leaders to discuss their demands for repeal of a wage ceiling and restoration of price controls on essential commodities.

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Comment: The wage restrictions and deregulation of prices were among a series of austerity measures imposed by President Kaunda in December and January to meet IMF conditions for a major loan, which is now being negotiated. Kaunda, who is mindful of severe labor unrest in 1981 and anxious for strong support from the unions in the national elections scheduled for November, probably will try to negotiate a compromise. Nonetheless, he may have difficulty coming up with a package that satisfies the unions without alienating the IMF.

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Special Analysis

WESTERN EUROPE: Peace Movement Activities

Antinuclear demonstrations will occur this weekend in several INF-basing countries in Western Europe. Organizers intend that the demonstrations be peaceful, but they could be marred by violent incidents, particularly at military installations and some prospective INF missile sites. Peace movement activities are likely to increase in scope and intensity later in the year, when missile deployment is scheduled to begin. []

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Peace group activities will be most pronounced in West Germany, where marches on Easter are traditional and where there is broad-based antinuclear sentiment. Peace movement organizers predict that 500,000 people will participate in antiwar and disarmament rallies. []

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Protest marches are planned in more than 90 cities, and a day-long demonstration is scheduled for Saturday at the Defense Ministry in Bonn. Protesters also will gather at various US military installations and suspected missile sites in West Germany. []

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The planned demonstrations are supported by a wide range of groups, including established political parties, labor unions, ecologists, and Communists. The Social Democrats are lending greater support than last year. The party's federal manager has appealed to Social Democratic state and district organizations to participate in the marches this weekend. []

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In the UK, the Campaign for Nuclear Disarmament plans to form a 22-kilometer human chain linking nuclear weapons manufacturing and research facilities with Greenham Common base, where cruise missiles are scheduled to be installed later this year. The demonstration is aimed at increasing the organization's passive resistance campaign, which began last December when 30,000 women encircled the Greenham Common base. []

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In Italy, a peace rally will be held at Comiso, Sicily, to protest construction of the missile site there. The Italian peace activists' lack of past success suggests, however, that the demonstration may not attract much support. []

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There are no signs thus far that peace groups in Belgium and the Netherlands plan major activities this weekend. Even so, there also may be some demonstrations in those countries. []

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31 March 1983

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Possibilities for Violence

Demonstration organizers have promised to keep the protests peaceful, but some events could lead to clashes with the police. Tensions between protesters and police have increased in recent months because of popular frustration with the stalled INF negotiations, tougher police methods for dealing with civil disobedience, and vandalism by radical peace movement groups.

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The probability of violent incidents is likely to be greatest during demonstrations at military installations and missile sites. Early this month, a three-day protest against the cruise missile base at Comiso led to the arrest of 12 women, injuries to other protesters, and destruction of the demonstrators' campsite by police.

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The demonstrations on Sunday at Comiso may produce similar results. At the Greenham Common base, the women who plan to blockade the missile site already have refused to cooperate with local police.

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Peace groups with reported connections to the terrorist Red Army Faction plan to demonstrate at US military installations in the West German state of Schleswig-Holstein. Security officials say, however, that the likelihood of terrorist action is small.

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Disunity in the Peace Movement

In addition to the demonstrations this weekend, the main events this spring will be two separate peace movement conferences in West Berlin. The second European Nuclear Disarmament Convention, which is scheduled for 9-14 May, may be boycotted by many of the Soviet-front peace organizations. These groups are upset over the insistence of the convention's organizers that US and Soviet nuclear armament policies receive equal condemnation.

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The Berlin Peace Coordination, which represents the interests of the West Berlin Communist Party, is organizing a separate conference for 8 May to express Moscow's viewpoint. This meeting probably will attract many peace groups from Eastern Europe, as well as West European Soviet-front organizations.

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Nevertheless, the differences between Soviet-controlled and independent West European peace groups are not irreconcilable. Although these groups will continue to clash on the question of criticizing the USSR, they generally understand that they need each other to maintain a broad and effective movement.

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Prospects

If the US and the USSR do not reach an agreement at Geneva and West European basing countries proceed with preparations to install the missiles, antiwar and disarmament rallies are likely to become larger and more intense. Popular support for peace movement goals will be particularly great if the US is viewed as not being seriously interested in a compromise agreement on INF. The actual arrival of INF missiles in Western Europe later this year is likely to increase the number of clashes between protesters and police.

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The new US offer on arms control thus will be heartening to government leaders in the basing countries who face the prospect of growing disorder and who hope that the offer will result in an interim agreement with the USSR. These leaders realize that such an agreement would not preclude widespread resistance to INF basing by leftist and antinuclear groups, but they believe it might reduce public sympathy for such activities.

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President Osvaldo Hurtado



Hurtado, 44, is a moderate leftist intellectual . . . formed the Christian Democratic Party in 1964 . . . served a brief prison term in 1974 for criticizing the military government . . . was Vice President in 1981 when President Roldos died . . . author of several books on Ecuador's political system.

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31 March 1983

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Special Analysis

ECUADOR-US: President Hurtado's Visit

President Hurtado will arrive in Washington next Wednesday seeking economic assistance and political support for his struggling democratic government. In the past month pressures from foreign lenders and the IMF have prompted him to impose politically difficult adjustment measures. He has managed thus far to contain labor's opposition, thereby denying military coup plotters the pretext they need to oust him. Hurtado is counting on the prestige accruing to his visit to the US to help keep the plotters at bay.

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Hurtado's numerous critics contend that his aloofness, indecisiveness, and aversion to political give and take have compounded his government's problems and drastically narrowed his political base. Although he has fended off recent challenges from labor and the military, public confidence in him is still extremely low. Coup plotters believe—apparently with good reason—that some civilian sectors are now indifferent to a military takeover.

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The President hopes that a successful visit will strengthen his position. There is widespread recognition in Ecuador that the US helped restore civilian democratic rule there in 1979.

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Hurtado also can claim some credit for the steady improvement in relations with the US during his two years in office. The recent lifting of the US embargo on Ecuador's tuna exports removed the last significant bilateral irritant.

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Economic Problems

Hurtado's temporizing and the reluctance of international bankers to increase their exposure delayed for months efforts to resolve foreign debt difficulties. Even after agreements were reached in February on refinancing some \$5.6 billion in debts falling due this year, creditor banks withheld approval pending firmer evidence of Ecuador's commitment.

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An agreement with the IMF, which is expected in the next week or two, will reassure the banks. It also will help in refinancing \$1.6 billion in private foreign debt, clearing up an estimated \$300 million in arrearages, and obtaining new import financing.

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The slide in oil prices will continue to complicate economic adjustments. For Ecuador—an OPEC member and Latin America's third-largest oil exporter—the recent reduction in prices will mean an annual loss of at least \$350 million in export earnings. The Finance Ministry estimates that revenues will drop some \$73 million, pushing the deficit well above any IMF target. []

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Tight monetary and fiscal policies will keep GDP growth this year below 2 percent, while the recent devaluation will push inflation to 30 percent or higher. With limited reserves, the country will remain vulnerable to new economic shocks, such as a further fall in oil prices or reduced agricultural exports resulting from recent floods. []

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Military Coup Plotting

Of several groups of military plotters, the one led by General Pineiros, the ambitious secretary of Ecuador's National Security Council, has been especially active. Pineiros and other conspirators believe that the President's ineptitude and statist economic policies have hurt the country and jeopardized the defense budget. []

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[] the general has enough support in the armed forces to oust Hurtado, providing a breakdown in public order or some other credible excuse occurs. []

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Hurtado is aware of the plotting and has played some factions against each other. He has avoided taking direct action against them, however, for fear of provoking a takeover. []

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Instead, the President has concentrated on denying the conspirators a pretext to seize power. When the devaluation and other austerity measures prompted a general strike, he gained a suspension of the walkout by standing firm and exploiting differences among labor groups. []

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Hurtado evidently hopes his day-to-day strategy will carry him through the middle of the year, when campaigning is to begin for the presidential election in 1984. Such activity would be likely to shift national—and military—attention away from his administration and clear the way for him to complete his term. []

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